

COLUMBIA TOWNSHIP

Jackson County, Michigan

FINANCIAL STATEMENTS

**For the Year Ended
June 30, 2004**

AUDITING PROCEDURES REPORT

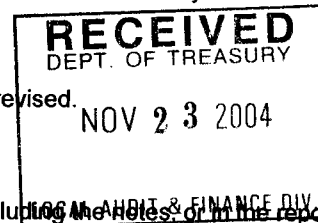
Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Columbia Township	County Jackson
Audit Date June 30, 2004	Opinion Date September 9, 2004	Date Accountant Report Submitted to State: NOVEMBER 19, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.



We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the Notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA			
Street Address 5800 GRATIOT, PO BOX 2025	City SAGINAW	State MI	Zip 48605
Accountant Signature <i>Rehmann Robson</i>			

COLUMBIA TOWNSHIP

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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

INDEPENDENT AUDITORS' REPORT

September 9, 2004

The Supervisor and Board of Trustees
Columbia Township
Jackson County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of ***Columbia Township, Michigan***, as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Columbia Township, Michigan, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note IV.C., the Township adopted the provisions of Governmental Accounting Standards Board Statement Nos. 34, 37 and 38 and GASB Interpretation 6 as of and for the year ended June 30, 2004. This results in a change in the format and content of the basic financial statements.

The Management's Discussion and Analysis on pages 3-13 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Columbia Township's basic financial statements. The combining and individual fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

Rehmann Lohman

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of Columbia Township, Brooklyn, Michigan, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended June 30, 2004.

Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$12,347,624 (net assets). Of this amount, \$9,288,162 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Township's total net assets increased by \$5,253,745, due in part to the Vineyard Lake and Lake Columbia sewer extension projects in the sewer fund and conservative spending in the general fund.
- As of the close of the current fiscal year, the Township's general fund reported an ending fund balance of \$891,940, an increase of \$177,771 in comparison with the prior year. Approximately 81.4% of this total amount, or \$725,852, is available for spending at the government's discretion (unreserved fund balance). This amounts to 53 percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include legislative, general government, public safety and public works. The business-type activities of the Township include sewer operations.

The government-wide financial statements can be found on pages 14-16 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Following the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances, reconciliations are provided to facilitate this comparison between governmental funds and governmental activities.

The Township maintains one governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. The Township of Columbia has no nonmajor funds.

The Township adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided herein to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 17-21 of this report.

Proprietary funds. The Township maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township has one enterprise fund to account for its sanitary sewer.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the sewer operations which is considered to be a major fund of the Township.

The basic proprietary fund financial statements can be found on pages 22-25 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The Township has two fiduciary funds, which are *agency* funds. The first agency fund is used to account for tax collections by the Township of Columbia on behalf of other governmental units. The second agency fund is the payroll fund, which payroll is deposited and payroll checks are written. Agency funds are unlike other types of funds and report only assets and liabilities. Therefore, they do not have a measurement focus, but do, however, use the accrual basis of accounting to recognize receivables and payables.

The fiduciary fund financial statements can be found on page 26 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-41 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Columbia Township, assets exceeded liabilities by \$12,347,624 at the close of the most recent fiscal year.

By far the largest portion of the Township's net assets, \$9,288,162, reflects unrestricted net assets, which may be used to meet the government's ongoing obligations to citizens and creditors.

An additional portion of the Township's net assets, \$166,088, represents resources that are subject to external restrictions on how they may be used. The remaining balance of the Township's net assets, \$2,893,374, reflects its investment in capital assets (e.g., buildings, vehicles and equipment), less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

[Because this is the first year of implementation of Government Accounting Standards Board Statement No. 34, which requires this new reporting model, the following tables present only current year data. In future years, when prior-year information is available, comparative analysis of government-wide data will be presented.]

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 904,318	\$ 8,627,558	\$ 9,531,876
Capital assets	1,147,643	9,204,704	10,352,347
Total assets	2,051,961	17,832,262	19,884,223
Long-term liabilities outstanding	5,836	7,458,973	7,464,809
Other liabilities	12,378	59,412	71,790
Total liabilities	18,214	7,518,385	7,536,599
Net assets:			
Invested in capital assets, net of related debt	1,147,643	1,745,731	2,893,374
Restricted for special purposes	166,088	-	166,088
Unrestricted	720,016	8,568,146	9,288,162
Total net assets	\$ 2,033,747	\$ 10,313,877	\$ 12,347,624

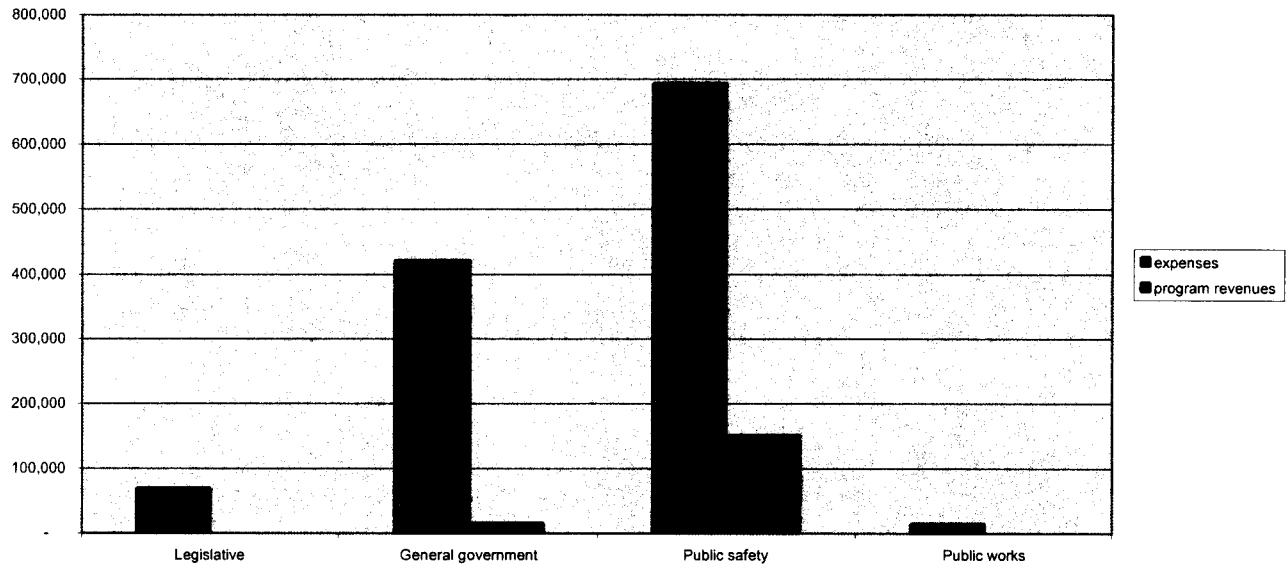
During the current fiscal year, the government's net assets increased by \$5,253,745. A large percentage of this is due to the addition of the Vineyard Lake and Lake Columbia sewer extensions.

Columbia Township's Changes in Net Assets

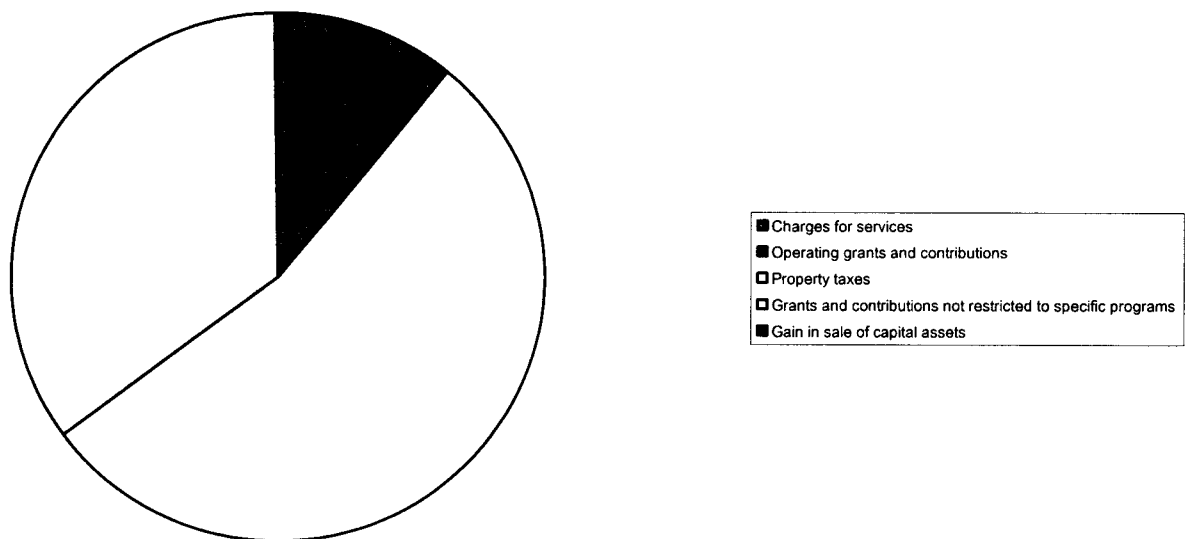
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenue:			
Program revenue:			
Charges for services	\$ 162,734	\$ 2,256,158	\$ 2,418,892
Operating grants and contributions	3,957	130,764	134,721
Capital grants and contributions	-	3,280,166	3,280,166
General revenue:			
Property taxes	841,681	-	841,681
Grants and contributions not restricted to specific programs	543,689	-	543,689
Gain on sale of capital assets	3,690	-	3,690
Total revenue	<u>1,555,751</u>	<u>5,667,088</u>	<u>7,222,839</u>
Expenses:			
Legislative	69,298	-	69,298
General government	421,500	-	421,500
Public safety	693,800	-	693,800
Public works	15,310	-	15,310
Sewer	-	769,186	769,186
Total expenses	<u>1,199,908</u>	<u>769,186</u>	<u>1,969,094</u>
 Change in net assets	 355,843	 4,897,902	 5,253,745
Net assets, beginning of year, as restated	<u>1,677,904</u>	<u>5,415,975</u>	<u>7,093,879</u>
 Net assets, end of year	 <u>\$ 2,033,747</u>	 <u>\$ 10,313,877</u>	 <u>\$ 12,347,624</u>

Governmental activities. Governmental activities increased the Township's net assets by \$355,843, accounting for 7 percent of the total growth in the net assets of the Township.

Expenses and Program Revenues - Governmental Activities



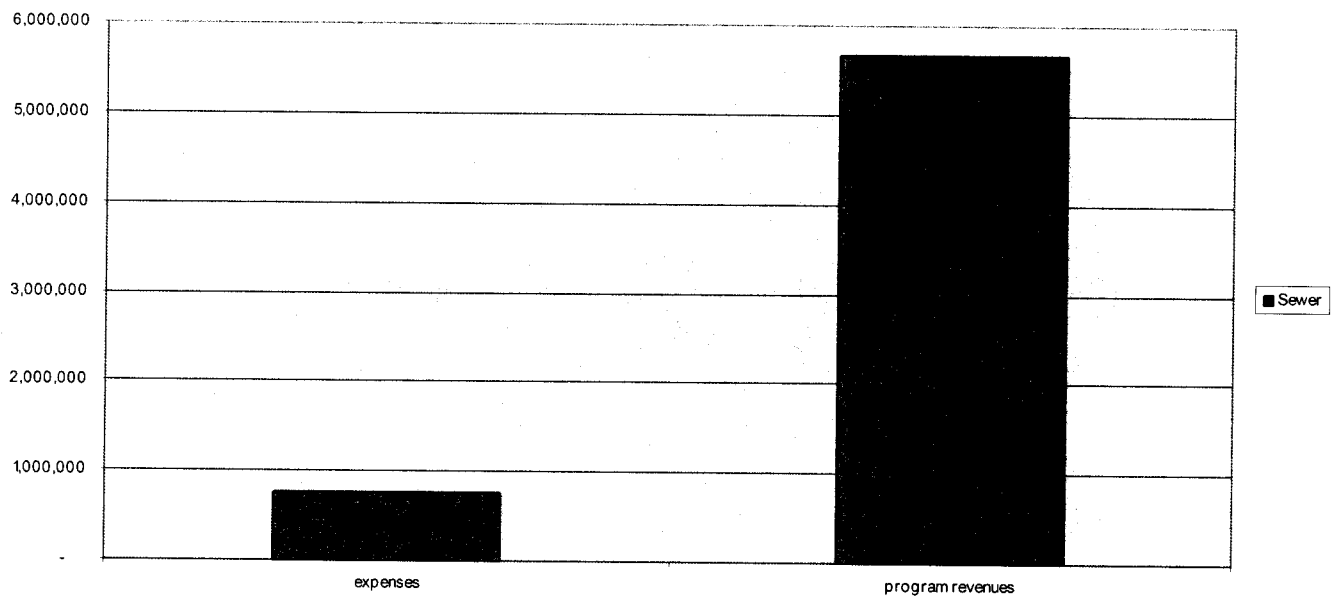
Revenues by Source - Governmental Activities



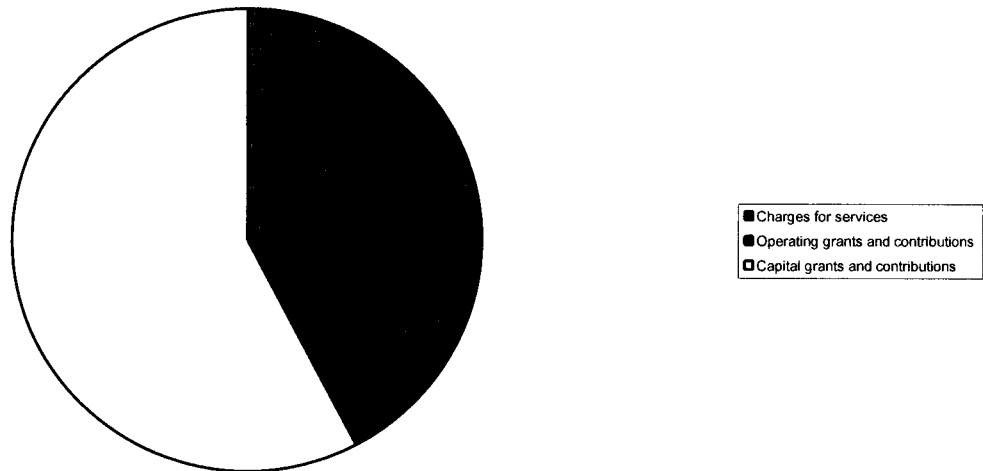
Business-type activities. Business-type activities increased the Township's net assets by \$4,897,902 accounting for 93 percent of the total growth in the government's net assets for the current year. Key elements of this increase are as follows:

- Due to the Vineyard Lake and Lake Columbia sewer extension project, special assessment revenue increased \$3,280,166 from the prior year.
- An additional \$1,046,748 in interceptor fees was deposited into the Clark Lake sewer extension.

Expenses and Program Revenues - Business-type Activities



Revenue by Source - Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Township and is the only governmental fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$725,852, while total fund balance was \$891,940. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 53 percent of total general fund expenditures.

The fund balance of the Township's general fund increased by \$177,771 during the current fiscal year. Township management prudently maintained a minimal level of spending anticipating the reduction in economic growth the region is now experiencing.

Proprietary funds. The Township's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Unrestricted net assets of the sewer enterprise fund at the end of the year amounted to \$8,568,146. The sewer fund had an increase of \$4,897,902 in net assets for the year. Other factors concerning the finances of this fund has already been addressed in the discussion of the Township's business-type activities.

General Fund Budgetary Highlights

The Township made no amendments to the general fund budget during the year. The difference between the original/final amended budgets and actual amounts for expenditures was \$131,898. The decrease was primarily due to diligence by the Township's management in reducing expenses.

Capital Asset and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental and business type activities as of June 30, 2004, amounted to \$2,893,374 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment.

Township of Columbia's Capital Assets (net of depreciation)

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
Construction in progress	\$ -	\$ 1,546,937	\$ 1,546,937
Buildings	179,003	-	179,003
Vehicles	968,640	-	968,640
Sewer system	-	7,657,767	7,657,767
Total	\$ 1,147,643	\$ 9,204,704	\$ 10,352,347

Additional information on the Township's capital assets can be found in note III.C. on pages 36-37 of this report.

Long-term debt. At the end of the current fiscal year, the Township had total installment debt outstanding of \$7,458,973. This entire amount comprises debt backed by the full faith and credit of the government. The Township also had accrued compensated absences in the amount of \$5,836.

Township of Columbia's Outstanding Debt

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
General obligation bonds	\$ -	\$ 7,458,973	\$ 7,458,973
Compensated absences	<u>5,836</u>	<u>-</u>	<u>5,836</u>
Total	<u><u>\$ 5,836</u></u>	<u><u>\$ 7,458,973</u></u>	<u><u>\$ 7,464,809</u></u>

During the current fiscal year, the Township's installment debt increased by \$2,283,973 (44 percent).

Additional information on the Township's long-term debt can be found in note III.F on pages 38-39 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Township's budget for the 2004-2005 fiscal year:

- Available taxing, bonding, and grant resources
- The growth of the Clark Lake Sewer extension
- A decrease in state shared revenue
- Projected staffing considerations

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Julie Hill, Treasurer, Township of Columbia, 8500 Jefferson Rd, Brooklyn, Michigan 49230.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

COLUMBIA TOWNSHIP, MICHIGAN**Statement of Net Assets****June 30, 2004**

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 366,056	\$ 3,274,937	\$ 3,640,993
Investments	465,149	1,147,693	1,612,842
Receivables	74,028	4,026,611	4,100,639
Internal balances	(915)	915	-
Prepaid items and other assets	-	177,402	177,402
Capital assets not being depreciated	-	1,546,937	1,546,937
Capital assets being depreciated, net	1,147,643	7,657,767	8,805,410
Total assets	2,051,961	17,832,262	19,884,223
Liabilities			
Accounts payable and accrued liabilities	12,378	59,412	71,790
Long-term debt:			
Due within one year	-	633,483	633,483
Due in more than one year	5,836	6,825,490	6,831,326
Total liabilities	18,214	7,518,385	7,536,599
Net assets			
Invested in capital assets, net of related debt	1,147,643	1,745,731	2,893,374
Restricted for special purposes	166,088	-	166,088
Unrestricted	720,016	8,568,146	9,288,162
Total net assets	\$ 2,033,747	\$ 10,313,877	\$ 12,347,624

The accompanying notes are an integral part of these financial statements.

COLUMBIA TOWNSHIP, MICHIGAN**Statement of Activities
For the Year Ended June 30, 2004**

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Legislative	\$ 69,298	\$ -	\$ -	\$ -	\$ (69,298)
General government	421,500	15,925	-	-	(405,575)
Public safety	693,800	146,809	3,957	-	(543,034)
Public works	15,310	-	-	-	(15,310)
Total governmental activities	1,199,908	162,734	3,957	-	(1,033,217)
Business-type activities:					
Sewer	769,186	2,256,158	130,764	3,280,166	4,897,902
Total	<u>\$ 1,969,094</u>	<u>\$ 2,418,892</u>	<u>\$ 134,721</u>	<u>\$ 3,280,166</u>	<u>\$ 3,864,685</u>

continued...

COLUMBIA TOWNSHIP, MICHIGAN
Statement of Activities (Concluded)
For the Year Ended June 30, 2004

	Governmental Activities	Business-type Activities	Total
Net (expense) revenue	\$ (1,033,217)	\$ 4,897,902	\$ 3,864,685
General revenues:			
Property taxes	841,681	-	841,681
Grants and contributions not restricted to specific programs	543,689	-	543,689
Gain on sale of capital assets	3,690	-	3,690
Total general revenues	1,389,060	-	1,389,060
Change in net assets	355,843	4,897,902	5,253,745
Net assets, beginning of year, as restated	1,677,904	5,415,975	7,093,879
Net assets, end of year	\$ 2,033,747	\$ 10,313,877	\$ 12,347,624

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

COLUMBIA TOWNSHIP, MICHIGAN
Balance Sheet
General Fund
June 30, 2004

ASSETS

Assets

Cash and cash equivalents	\$ 366,056
Investments	465,149
Due from other governments	74,028
Due from other funds	<u>404</u>

<u>TOTAL ASSETS</u>	<u>\$ 905,637</u>
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LIABILITIES AND FUND BALANCE

Liabilities

Accrued wages	\$ 12,378
Due to other funds	<u>1,319</u>

Total liabilities	<u>13,697</u>
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Fund balance

Reserved for fire equipment	166,088
Unreserved, undesignated	<u>725,852</u>

Total fund balance	<u>891,940</u>
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<u>TOTAL LIABILITIES</u> <u>AND FUND BALANCE</u>	<u>\$ 905,637</u>
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The accompanying notes are an integral part of these financial statements.

COLUMBIA TOWNSHIP, MICHIGAN
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
June 30, 2004

Fund balance - General fund	\$ 891,940
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add: capital assets	1,773,454
Deduct: accumulated depreciation	(625,811)
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct: compensated absences	<u>(5,836)</u>
Net assets of governmental activities	<u><u>\$ 2,033,747</u></u>

The accompanying notes are an integral part of these financial statements.

COLUMBIA TOWNSHIP, MICHIGAN
Statement of Revenue, Expenditures, and Changes in Fund Balance
General Fund
For the Year Ended June 30, 2004

Revenue

Taxes and special assessments	\$ 841,681
Intergovernmental	423,406
Licenses and permits	158,170
Charges for services	103,061
Fines and forfeits	15,478
Other revenue	<u>10,265</u>
Total revenue	<u>1,552,061</u>

Expenditures

Legislative	53,513
General government	421,052
Public safety	888,105
Public works	<u>15,310</u>
Total expenditures	<u>1,377,980</u>

Revenue over expenditures	174,081
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Other financing source

Proceeds from sale of capital assets	<u>3,690</u>
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Net change in fund balance	177,771
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Fund balance, beginning of year	<u>714,169</u>
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Fund balance, end of year	<u><u>\$ 891,940</u></u>
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The accompanying notes are an integral part of these financial statements.

COLUMBIA TOWNSHIP, MICHIGAN
Reconciliation of the Statement of Revenues, Expenditures
and Change in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2004

Net change in fund balance - General fund \$ 177,771

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	255,032
Deduct: depreciation expense	(75,868)
Deduct: proceeds from the sale of capital assets	(3,690)
Add: gain on sale of capital assets	3,690

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduct: increase in the accrual for compensated absences	(1,092)
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Change in net assets of governmental activities	\$ 355,843
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The accompanying notes are an integral part of these financial statements.

COLUMBIA TOWNSHIP, MICHIGAN
Statement of Revenue, Expenditures, and Changes
in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2004

	Original/ Final Budget	Actual	Actual Over (Under) Budget
Revenue			
Taxes and special assessments	\$ 854,111	\$ 841,681	\$ (12,430)
Intergovernmental	445,311	423,406	(21,905)
Licenses and permits	146,350	158,170	11,820
Charges for services	108,298	103,061	(5,237)
Fines and forfeits	15,500	15,478	(22)
Other revenue	22,585	10,265	(12,320)
Total revenue	<u>1,592,155</u>	<u>1,552,061</u>	<u>(40,094)</u>
Expenditures			
Legislative:			
Board of Trustees	<u>64,264</u>	<u>53,513</u>	<u>(10,751)</u>
General government:			
Supervisor	26,799	27,431	632
Assessor	151,504	106,350	(45,154)
Clerk Elections	10,320	3,086	(7,234)
Clerk Office	63,321	63,216	(105)
Board of Review	2,750	1,423	(1,327)
Treasurer	66,874	65,322	(1,552)
Hall and Grounds	150,342	117,768	(32,574)
Cemetery and Grounds	31,500	24,947	(6,553)
Parks and Recreation	10,300	4,170	(6,130)
Sewer	<u>10,698</u>	<u>7,339</u>	<u>(3,359)</u>
Total general government	<u>524,408</u>	<u>421,052</u>	<u>(103,356)</u>
Public safety:			
Police	266,004	285,631	19,627
Fire	508,131	480,230	(27,901)
Building Inspector	87,617	85,908	(1,709)
Electrical Inspector	15,350	10,240	(5,110)
Plumbing Inspector	7,450	6,850	(600)
Zoning and planning	<u>21,674</u>	<u>19,246</u>	<u>(2,428)</u>
Total public safety	<u>906,226</u>	<u>888,105</u>	<u>(18,121)</u>
Public works:			
Highways and Streets	<u>14,980</u>	<u>15,310</u>	<u>330</u>
Total expenditures	<u>1,509,878</u>	<u>1,377,980</u>	<u>(131,898)</u>
Revenue over expenditures	82,277	174,081	91,804
Other financing source			
Proceeds from sale of capital assets	<u>-</u>	<u>3,690</u>	<u>3,690</u>
Net change in fund balance	82,277	177,771	95,494
Fund balance, beginning of year	<u>714,169</u>	<u>714,169</u>	<u>-</u>
Fund balance, end of year	<u>\$ 796,446</u>	<u>\$ 891,940</u>	<u>\$ 95,494</u>

The accompanying notes are an integral part of these financial statements.

COLUMBIA TOWNSHIP, MICHIGAN
Statement of Net Assets
Sewer Enterprise Fund
June 30, 2004

Assets

Current assets:

Cash and cash equivalents	\$ 1,307,621
Investments	1,147,693
Accounts receivable	96,006
Current portion of special assessments receivable	299,571
Funds on deposit with Jackson County	1,967,316
Due from other funds	1,319
Total current assets	<u>4,819,526</u>

Non-current assets:

Deferred charges	177,402
Special assessments receivable, net of current portion	3,631,034
Capital assets, net	9,204,704
Total non-current assets	<u>13,013,140</u>

Total assets	<u>17,832,666</u>
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Liabilities

Current liabilities:

Accounts payable	59,412
Due to other funds	404
Current portion of long-term debt	633,483
Total current liabilities	<u>693,299</u>

Lease payable, net of current portion	<u>6,825,490</u>
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Total liabilities	<u>7,518,789</u>
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Net assets

Invested in capital assets, net of related debt	1,745,731
Unrestricted	8,568,146
Total net assets	<u>\$ 10,313,877</u>

The accompanying notes are an integral part of these financial statements.

COLUMBIA TOWNSHIP, MICHIGAN
Statement of Revenue, Expenses,
and Changes in Fund Net Assets
Sewer Enterprise Fund
For the Year Ended June 30, 2004

Operating revenue	
Charges for services	\$ 2,256,158
Special assessment revenue	<u>3,280,166</u>
Total operating revenue	<u>5,536,324</u>
Operating expenses	
Costs of sales and services	192,145
Administration	50,779
Depreciation	240,705
Amortization of bond issue costs	<u>16,955</u>
Total operating expenses	<u>500,584</u>
Operating income	<u>5,035,740</u>
Non-operating revenue (expense)	
Interest on investments	23,322
Interest on special assessments	107,442
Interest expense and fiscal charges	<u>(268,602)</u>
Total non-operating revenue (expense)	<u>(137,838)</u>
Change in fund net assets	4,897,902
Net assets, beginning of year, as restated	<u>5,415,975</u>
Net assets, end of year	<u><u>\$ 10,313,877</u></u>

The accompanying notes are an integral part of these financial statements.

COLUMBIA TOWNSHIP, MICHIGAN
Statement of Cash Flows
Sewer Enterprise Fund
For the Year Ended June 30, 2004

Cash flows from operating activities

Cash received from customers	\$ 5,513,701
Cash payments to suppliers for goods and services	<u>(2,123,466)</u>
Net cash provided by operating activities	<u>3,390,235</u>

Cash flows from capital and related financing activities

Principal paid on leases payable	(485,000)
Proceeds of lease	2,768,973
Payments for debt issuance costs	(49,619)
Special assesment receivable	(2,076,000)
Interest collected on special assessments	107,442
Interest paid on leases payable	(268,602)
Construction/acquisition of capital assets	<u>(1,546,937)</u>
Net cash provided for capital and related financing activities	<u>(1,549,743)</u>

Cash flows from investing activities

Purchase of investments	(1,049,693)
Interest on investments	<u>23,322</u>
Net cash used for investing activities	<u>(1,026,371)</u>

Increase in cash and cash equivalents	814,121
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Cash and cash equivalents, beginning of year	<u>493,500</u>
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Cash and cash equivalents, end of year	<u><u>\$ 1,307,621</u></u>
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Non-Cash Transactions:

There were no significant non-cash transactions during the year ended June 30, 2004.

continued...

COLUMBIA TOWNSHIP, MICHIGAN
Statement of Cash Flows
Sewer Enterprise Fund (Concluded)
For the Year Ended June 30, 2004

Reconciliation of operating income to cash flows from operating activities

Operating income	\$ 5,035,740
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	240,705
Amortization of bond issue costs	16,955
Changes in assets and liabilities:	
Accounts receivable	(22,623)
Funds on deposit with Jackson County	(1,938,635)
Due from other funds	(1,319)
Accounts payable	59,412
	<hr/>
Net cash provided by operating activities	<u><u>\$ 3,390,235</u></u>

The accompanying notes are an integral part of these financial statements.

COLUMBIA TOWNSHIP, MICHIGAN
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

Assets

Cash and cash equivalents	\$ 2,778
Investments	<u>142</u>

Total assets

\$ 2,920

Liabilities

Accounts payable	\$ 908
Due to other governments	<u>2,012</u>

Total liabilities

\$ 2,920

The accompanying notes are an integral part of these financial statements.

NOTES to the FINANCIAL STATEMENTS

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

Columbia Township (the "government" or "Township") is a municipal corporation governed by an elected supervisor and a six-member board. The Township has adopted the position of the Governmental Accounting Standards Board (GASB) Statement #14 regarding the definition of reporting entity and has determined that no entities should be consolidated into the financial statements as component units. The criteria for including a component unit include significant operational or financial relationships with the government.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the respective fund financial statements.

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives cash.

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

The government reports the following major governmental fund:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary fund:

The *sewer enterprise fund* accounts for the activities of the government's sewage disposal and treatment system.

Additionally, the government reports the following fund type:

The *agency funds* account for assets held for other governments in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer enterprise fund are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

C. Assets, liabilities and net assets/equity

1. *Deposits and investments*

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

The caption "Funds on deposit with Jackson County" represents deposits held by that government on behalf of the Township to be used for sewer system construction and maintenance, and payments on the related outstanding debt. Accordingly, these deposits are not included in the determination of the amount of the Township's federally insured deposits.

2. *Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

3. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), if any, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25-50
System infrastructure	50-60
Vehicles	3-30
Equipment	5-30

4. *Compensated absences*

It is the government's policy to permit eligible employees to accumulate earned but unused vacation and sick pay benefits. Vacation and sick pay are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

5. *Long-term obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. *Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year end. The government's final budget must be prepared and adopted prior to July 1st of each year.

The appropriated budget is prepared by fund, function and activity. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the governing council. The legal level of budgetary control is the activity level. Certain supplemental budgetary appropriations were made during the year.

The government does not utilize encumbrance accounting.

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

B. Excess of expenditures over appropriations

P. A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2004, the government incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control as follows:

General Fund	Final Budget	Actual	Variance
General government:			
Supervisor	\$ 26,799	\$ 27,431	\$ 632
Public Safety:			
Police	266,004	285,631	19,627
Public works – highways and streets	14,980	15,310	330

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

At year end, the carrying amount of deposits for the government was \$2,469,397. The combined bank balance was \$2,552,757. Of the bank balance, \$600,000 was covered by federal depository insurance. The remaining balance of \$1,952,757 was uninsured and uncollateralized.

The government believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the government evaluates each financial institution with which it deposits government funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

Investments are categorized into these three categories of credit risk:

- (1) Insured or registered, or securities held by the government or its agent in the government's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name.
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the government's name.

The investments of the Township consist of \$653,693 in Corporate Bonds and \$166,149 in Government Securities, all in Risk Category 2 at June 30, 2004.

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets to deposits and investments as classified for note disclosure purposes is as follows:

Statement of Net Assets:

Cash and cash equivalents	\$ 3,640,993
Investments	<u>1,612,842</u>
	<u>5,253,835</u>

Statement of Fiduciary Net Assets:

Agency Funds:	
Cash and cash equivalents	2,778
Investments	<u>142</u>
	<u>2,920</u>
	<u>\$ 5,256,755</u>

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

Classification of Deposit and Investments:

Bank deposits (checking accounts, savings accounts and CDs)	\$ 2,469,397
Investments	819,842
Funds on deposit with Jackson County	1,967,316
Cash on hand	<u>200</u>
	<u>\$ 5,256,755</u>

B. Receivables

Receivables as of year end are as follows:

	<u>General Fund</u>	<u>Sewer Enterprise Fund</u>	<u>Total</u>	<u>Amounts Not Expected to be Collected Within One Year</u>
Accounts receivable	\$ -	\$ 96,006	\$ 96,006	\$ -
Due from other governments	74,028	-	74,028	-
Special assessments receivable	-	3,930,605	3,930,605	3,631,034
	<u>\$ 74,028</u>	<u>\$ 4,026,611</u>	<u>\$ 4,100,639</u>	<u>\$ 3,631,034</u>

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

C. Capital assets

Capital assets activity for the year ended June 30, 2004, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities				
Capital assets being depreciated:				
Improvements	\$ 82,091	\$ -	\$ -	\$ 82,091
Buildings	496,999	-	-	496,999
Vehicles	958,232	255,032	18,900	1,194,364
Total capital assets being depreciated	<u>1,537,322</u>	<u>255,032</u>	<u>18,900</u>	<u>1,773,454</u>
Less accumulated depreciation for:				
Improvements	82,091	-	-	82,091
Buildings	305,571	12,425	-	317,996
Vehicles	181,181	63,443	18,900	225,724
Total accumulated depreciation	<u>568,843</u>	<u>75,868</u>	<u>18,900</u>	<u>625,811</u>
Total capital assets being depreciated, net	<u>968,479</u>	<u>179,164</u>	<u>-</u>	<u>1,147,643</u>
Governmental activities capital assets, net	<u>\$ 968,479</u>	<u>\$ 179,164</u>	<u>\$ -</u>	<u>\$ 1,147,643</u>
Business-type activities				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 1,546,937	\$ -	\$ 1,546,937
Capital assets being depreciated:				
Sewer system	9,628,186	-	-	9,628,186
Less accumulated depreciation for:				
Sewer system	1,729,714	240,705	-	1,970,419
Total capital assets being depreciated, net	<u>7,898,472</u>	<u>(240,705)</u>	<u>-</u>	<u>7,657,767</u>
Business-type activities capital assets, net	<u>\$ 7,898,472</u>	<u>\$ 1,306,232</u>	<u>\$ -</u>	<u>\$ 9,204,704</u>

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 15,785
Public safety	<u>60,083</u>

Total depreciation expense - governmental activities \$ 75,868

Business-type activities:

Sewer	<u><u>\$ 240,705</u></u>
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D. Payables

Accounts payable and accrued liabilities as of year end are as follows:

	<u>General Fund</u>	<u>Sewer Enterprise Fund</u>	<u>Total</u>
Accounts payable	\$ -	\$ 59,412	\$ 59,412
Accrued wages	<u>12,378</u>	<u>-</u>	<u>12,378</u>
	<u><u>\$ 12,378</u></u>	<u><u>\$ 59,412</u></u>	<u><u>\$ 71,790</u></u>

E. Interfund receivables, payables and transfers

The composition of interfund balances as of June 30, 2004, is as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 404	\$ 1,319
Sewer Enterprise	<u>1,319</u>	<u>404</u>
Total	<u><u>\$ 1,723</u></u>	<u><u>\$ 1,723</u></u>

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

F. Long-term debt

General Obligation Bonds. The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for proprietary activities. These bonds are reported in the proprietary funds because they are expected to be repaid from proprietary fund revenues.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20-year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Sewer Fund (lease payable)	3.0 - 4.25%	<u>\$ 7,458,973</u>

The wastewater disposal system lease payable is equal to the aggregate outstanding principal and interest payments due on the County of Jackson Wastewater Disposal Facility Bonds (Clark Lake and Vineyard Lake Sections). Those bonds were issued to finance the construction of the wastewater disposal system, which was managed and administered by the Jackson County Department of Public Works under contract with the Township. The cost of the system is capitalized in the Township's Sewer Enterprise Fund, which is financing the debt service payments through usage fees and special assessments.

Annual debt service requirements to maturity for general obligation bonds is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 633,483	\$ 271,180	\$ 904,663
2006	628,483	246,225	874,707
2007	623,483	222,958	846,440
2008	618,483	200,316	818,799
2009	631,179	176,628	807,807
2010-2014	2,848,592	528,016	3,376,607
2015-2019	794,377	233,907	1,028,285
2020-2023	680,894	60,855	741,750
Total	<u>\$ 7,458,973</u>	<u>\$ 1,940,085</u>	<u>\$ 9,399,058</u>

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

Changes in Long-Term Debt. Long-term liability activity for the year ended June 30, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Primary Government</u>					
Governmental activities:					
Compensated absences	\$ 4,744	\$ 1,092	\$ -	\$ 5,836	\$ -
Business-type activities:					
General obligation bonds	\$ 5,175,000	\$ 2,768,973	\$ 485,000	\$ 7,458,973	\$ 633,483

IV. OTHER INFORMATION

A. Property taxes

The government's property taxes are levied each December 1 on the taxable value of property located in the Township as of the preceding December 31, the lien date. Taxable values are established annually by the government and subject to acceptance by the County. Real and personal property in the Township for the 2004 levy was assessed at \$253,621,410. The government's general operating tax rate for fiscal year 2003-2004 was .7582 mills with 2.3628 additional mills levied for police and fire operations. The revenue generated by the additional millage is not enough to cover police and fire expenditures; therefore, these operations are reliant on General Fund subsidies. Accordingly, both the property tax revenue and these operations are accounted for in the General Fund.

B. State Construction Code Act Compliance

Public Act 245 of 1999 amended the State Construction Act to require Michigan municipal governments to establish fees which bear a reasonable relationship to the cost of operating their building departments. The Township's fee structure is not intended to fully recover its costs, and accordingly, the operations of the Township's building department are accounted for in the General Fund.

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

For the year ended June 30, 2004, the Township's revenue and expenditures related to its building department were as follows:

Revenue

Building permits	\$ 61,236
Mechanical permits	13,940
Plumbing permits	14,460
Electrical permits	<u>18,520</u>
Total revenue	<u>\$ 108,156</u>

Expenditures

Building Inspector	\$ 85,908
Electrical Inspector	10,240
Plumbing Inspector	6,850
Indirect costs (overhead)	<u>6,930</u>
Total expenditures	<u>\$ 109,928</u>

C. Restatements

As of and for the year ended June 30, 2004, the Township implemented the following Governmental Accounting Standards Board pronouncements:

Statements

- No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*
- No. 37 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*
- No. 38 – *Certain Financial Statement Note Disclosures*

Interpretation

- No. 6 – *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

COLUMBIA TOWNSHIP, MICHIGAN

Notes To Financial Statements

The above pronouncements are all related to the new financial reporting requirements for all state and local governments. These pronouncements are scheduled for a phased implementation (based on the size of the government) through fiscal years ending in 2005. The Township is required to implement the new requirements no later than the fiscal year ending June 30, 2004.

The more significant of the changes required by the new standards include:

- Management's discussion and analysis;
- Basic financial statements that include:
 - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
 - Fund financial statements, consisting of a series of statements that focus on a government's major governmental funds and enterprise funds;
 - Schedules to reconcile the fund financial statements to the government-wide financial statements;
 - Notes to the basic financial statements;
- Required supplementary information, including certain budgetary schedules.

As a result of implementing these pronouncements for the fiscal year ended June 30, 2004, the following restatements were made to beginning fund balance and net asset accounts:

The beginning net assets of the enterprise funds were derived by aggregating the previously reported retained earnings and contributed capital of those funds.

Government-wide financial statements. Beginning net assets for governmental activities was determined as follows:

Fund balance of the general fund as of 6/30/03	\$ 714,169
Add: governmental capital assets as of 6/30/03	1,537,322
Deduct: accumulated depreciation as of 6/30/03 on above governmental capital assets	(568,843)
Deduct: governmental compensated absences payable as of 6/30/03	<u>(4,744)</u>
Governmental net assets, restated, as of 7/1/03	<u>\$ 1,677,904</u>

* * * * *

**COMBINING and INDIVIDUAL FUND
FINANCIAL STATEMENTS**

COLUMBIA TOWNSHIP, MICHIGAN
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2004

	<u>Agency Funds</u>		<u>Total</u>
	<u>Current Tax</u>	<u>Payroll Clearing</u>	
Assets			
Cash and cash equivalents	\$ 766	\$ 2,012	\$ 2,778
Investments	142	-	142
	<u> </u>	<u> </u>	<u> </u>
<u>TOTAL ASSETS</u>	<u>\$ 908</u>	<u>\$ 2,012</u>	<u>\$ 2,920</u>
Liabilities			
Accounts payable	\$ 908	\$ -	\$ 908
Due to other governments	-	2,012	2,012
	<u> </u>	<u> </u>	<u> </u>
<u>TOTAL LIABILITIES</u>	<u>\$ 908</u>	<u>\$ 2,012</u>	<u>\$ 2,920</u>



REHMANN ROBSON

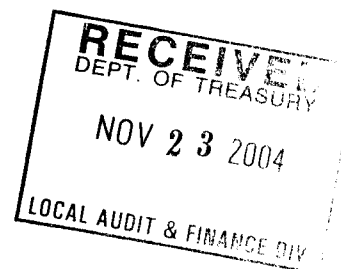
Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

September 9, 2004

The Supervisor and Board of Trustees
Columbia Township
Jackson County, Michigan



We have audited the basic financial statements of **Columbia Township, Michigan**, as of and for the year ended June 30, 2004, and have issued our report thereon dated September 9, 2004. Professional standards require that we provide you with the following information related to your audit.

Our Responsibility Under Generally Accepted Auditing Standards

As stated in our engagement letter dated July 14, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the basic financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Columbia Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by Columbia Township are described in Note I to the basic financial statements.

As described in Note IV-C to the basic financial statements, in 2004 Columbia Township changed accounting policies related to the new financial reporting requirements for all state and local governments, by adopting Statements of Governmental Accounting Standards (GASB Statements) No. 34 – *Basic Financial Statements – and Management’s Discussion and Analysis– for State and Local Governments*, No. 37 – *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*, and No. 38 – *Certain Financial Statement Note Disclosures*. The cumulative effect of implementing these new standards resulted in a substantial restatement of beginning net assets/fund balances.

Accounting Estimates

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the useful lives of depreciable capital assets in the Governmental and Business-type Activities is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Township that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We proposed several adjustments, which all were recorded by management, and in our judgment had a significant effect on the Township.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the basic financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's basic financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information and the attached memorandum are intended solely for the use of the Board of Trustees, management and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, reading "Lehmann Lohorn". The signature is written in a cursive style with a large, prominent 'L' at the beginning.